

**ORAL REPORT
ON THE OUTCOME OF THE 21st MEETING
OF THE DEVELOPMENT FINANCE COOPERATION COMMITTEE
(MINISTERS)
HELD IN PORT VILA, 14 JUNE 2012**

**(Presented to the ACP-EU Council of Ministers
Port Vila, 15 June 2012)**

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Mr Co-Chair,

It is my task to present to you a summary of the results of the 21st meeting of the ACP-EU Development Finance Cooperation Committee, which took place here in Port Vila at Ministerial level on 14 June 2012.

Regarding the main questions, the outcome of the meeting can be summarised as follows:

The Committee started its session by taking note of the **Report of the 27th meeting** of the ACP-EU Development Finance Cooperation Committee, held in Brussels at Authorised Representatives level on 25 April 2012, presented by the EU side on behalf of both Parties, then it went through the substantial points of the Agenda that I am now presenting.

A. Mid-Term Review (MTR) of Regional Cooperation and prospects on End of Term Review (ETR)

The Commission reported shortly on the state of play of the **Mid-Term Review of Regional Cooperation** with a special focus on Intra ACP Cooperation.

The Committee took note of the information provided by the Commission and of the observations made by the ACP Side.

Regarding the Regional MTR, the Committee noted the low implementation rate of the regional programs, and underlined the importance to maintain a constant dialogue between regional organisations and EU Delegations in order to ensure adequate implementation and that needs be duly taken into consideration.

In relation to the End of Term Review, the Committee invited the Commission to launch a consultation with ACP's Regional Organisations on the guidelines in order to allow them to submit their contributions in due time.

B. Increasing the Intra-ACP resources

Both Parties agreed to take the necessary steps in order to speed up the procedure and make the decision adopted by the ACP-EU Committee of Ambassadors, in line with the provisions of paragraph 6 of Annex 1b to the Cotonou Agreement.

The Committee calls on the Secretariat and the Commission to continue their efforts and to submit their results to the Committee of Ambassadors for approval as quickly as possible.

C. The Multiannual Financial Framework for post 10th EDF,

The EU Side recalled the state of play of the internal discussions in this respect, namely:

- The Commission proposals concerning a possible 11th EDF and the Multi-annual Financial Framework for the ACP-EU Cooperation after 2013 have been tabled, but the EU has not yet established its position on either issue.

- It is not settled yet whether the ACP-EU cooperation will continue to be financed through a separate fund, as proposed by the Commission or via the EU budget. As the EU is currently discussing this matter, it is not in a position to give any kind of information on the amount for the cooperation with ACP countries after 2013. Exact figures for the cooperation will not be decided before the end of 2012.

The ACP side expressed its regrets on the delay for the EU to establish its position in this respect. The ACP side has always held the view that in the partnership, the EU has an essential role to play, and political responsibility to assume. While acknowledging the EU's current economic and political difficulties and its past efforts, it remains important to ensure that the recent crises do not call into question the validity of this commitment. This political determination will demonstrate to the rest of the world that in the face of irreversible globalisation challenges, there is still a place and prospects for a true ACP-EU partnership capable of making a contribution and providing a concrete and effective response to attaining the objectives of lasting peace, security and the eradication of poverty.

The Committee took note of the state of play provided by the EU and of the concerns expressed by the ACPs

D. The EU Development Policy: Agenda or change

The Commission made a presentation of its Communication on the new approach of EU Development Policy, the 'Agenda for Change', which aims at significant increase of the impact and effectiveness of EU development cooperation through support of good governance and inclusive and sustainable growth.

Special attention will be given to a differentiated approach to partnerships with different countries, greater concentration at country level, innovative financial tools, stronger alignment to partner countries' strategies.

The EU Side furthermore indicated that principles contained in the Conclusions adopted by the Council of EU on 14 May will guide the design and implementation of external action instruments under the Multiannual Financial Framework 2014-2020. It also affirmed that the new approach will not be in contradiction with Article 2 of Cotonou. No decision has yet been taken on the application of differentiation to ACP countries. ?

The ACP Side :

- Expressed their concern in regards to differentiation and strongly recommended that consultations under Article 12 of Cotonou be continued on this important issue.
- Asked the Commission to refrain from taking any unilateral action that would alter the legal framework of the Cotonou Agreement as signed in June 2010.
- In addition, some ACP delegations included suggestions to make special provisions for Small Islands Development States and a request for the challenges faced by Middle Income Countries to be taken into consideration.

The Committee took note of the Commission's presentation, the concerns expressed by the ACP delegations and of the position of the EU Side.

E. New approach of the EU to Budget Support in favour of third countries,

The Commission presented the substance of its Communication on Budget Support. This Communication foresees the modernizing of the approach and a move to a contractual relationship that can take the form of good governance and development contracts, sector reform contracts and state-building contracts in fragile and transition situations. The predictability of Budget support should be improved by using clear, simple and measurable indicators. More emphasis will be placed on fundamental values of human rights, democracy and rule of law as well as accountability and transparency.

The EU Side recalled that its views on Budget Support are indicated in the Conclusions adopted by the Council on 14 May 2012. Budget Support must be designed and implemented in such a way as to effectively support poverty reduction and promote sustainable development. It must be aligned with country strategies and targeted where it is needed most, where domestic resources are insufficient and where it can have the greatest impact. It should reflect the specific goals, benefits and risks, as well as feasibility in each partner country, in the mix with the other support modalities.

The ACP Side recommends that the EU budget support

- be aligned with the development policies and priorities of the ACP countries;
- be focused on results jointly defined within the framework of policy dialogue; and
- call the European Commission to refrain from taking any unilateral measures and adhere to the legal framework of the Cotonou Agreement

The Committee took note of the opinion expressed by both sides.

F. Modification of Annex II of Cotonou,

The EIB presented and clarified the technical aspects of the Commission's proposal for amending Annex II chapter 1, of the Cotonou Agreement dealing with the terms and conditions of financing of the Investment Facility and the EIB Own Resources. The objective of the proposed Decision is to increase from 10% to 15% the part of the envelope for interest rate subsidies which can be used, by the Bank, for "project related technical assistance.

Both Parties declared to be ready for adopting the decision.

The Committee decided to recommend that the ACP-EU Council adopts this decision.

G. The final point on the agenda was the Programme of Work for 2012-2013, (ACP/81/025/12-ACP-CE 2105/12)

The Committee adopted its Programme of Work for the biennium 2012-2013.

Mr Co-Chair,

This concludes the Report I have had the honour and the pleasure of presenting to you on the 21st meeting of the Ministerial Development Finance Cooperation Committee.